

Congress of the United States
Washington, DC 20510

June 16, 2009

Mr. Floyd Williams, National Director for Legislative Affairs
Internal Revenue Service
U.S. Department of the Treasury
1111 Constitution Ave., NW
Room 3241
Washington, DC 20224

Dear Mr. Williams:

Several of our constituents have had the misfortune of having defective Chinese drywall installed in their homes. They have told us that this drywall has created many unanticipated problems that renders their homes uninhabitable soon after they move in. For example, homes with this drywall have shown evidence of extreme and unusual corrosion of pipes, air conditioning coils and electrical appliances. According to our constituents, the drywall also emits a putrid smell and gas. Many of them also report that they suffered from nosebleeds, sinus infections, and breathing problems. They have told us that these problems arise soon after they move into homes constructed with this drywall.

Though the Environmental Protection Agency and the Consumer Product Safety Commission are conducting investigations into the matter, many homeowners with these drywall-related problems are facing the immediate issue of paying for alternative accommodations as well as the mortgage on their damaged home. As you can imagine, most families cannot bear the costs associated with maintaining two homes – especially in this economy. While these investigations may be beneficial to our constituents in the future, they need help now.

Section 165(h) of the Internal Revenue Code generally allows taxpayers to deduct casualty losses. A casualty loss is a loss of property not connected with a trade or business or a transaction entered into for profit, if such loss arises from fire, storm, shipwreck, or other casualty or from theft. The deduction covers losses from the complete or partial destruction of property resulting from a sudden, unexpected, and unusual identifiable event. The term “unusual” generally means extraordinary and non-recurring.

Taxpayer losses associated with Chinese drywall seems to meet the three criteria for the deduction in that the excessive corrosion and emission of gas-like fumes that appears to be linked to the drywall is unexpected, unusual and sudden. If this deduction applies, it would help alleviate our constituents’ federal tax burden during this time of crisis. Please provide clarity as to whether section 165(h), the casualty loss deduction, could apply to constituents who have encountered these problems with their home. It would also be helpful to have guidance on how to value their loss as well.

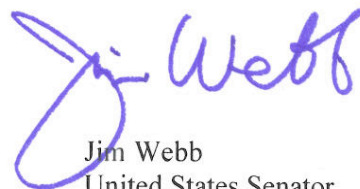
Sincerely,



Mark R. Warner
United States Senator



Bill Nelson
United States Senator



Jim Webb
United States Senator



Glenn C. Nye
United States Congressman